

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 OES-07 SP-02 SS-15 STR-04 ACDA-10 /117 W

-----072026Z 099976 /75

R 071524Z JUN 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 3686

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USOECD

PASS TREASURY FOR FIELD AND CARLSON

E.O. 11652: N/A

TAGS: EFIN, ENRG, OECD

SUBJECT: MEETING OF EXPERT GROUP OF CFA WORKING PARTY
7 ON TAXATION AND ENERGY

REF: DAF/CFA/WP7/77.2

1. SUMMARY OF DECISIONS OF WP-7 EXPERTS GROUP SHOULD
BE ISSUED IN ABOUT A WEEK. FOLLOWING CONVEYS MAIN
POINTS OF FINAL DAY'S DISCUSSION.

2. ITEM IV: TAXATION OF ACTIVITIES ON CONTINENTAL
SHELF.

NORWEGIAN DEL DISCUSSED PROBLEM OF PARTNERSHIP/JOINT
VENTURES, SUGGESTING GROUP DESCRIBE FEATURES OF PRO-
BLEM (WHICH ARE NOT UNIQUE TO CONTINENTAL SHELF, BUT
MAY BE PARTICULARLY ACUTE IN THIS AREA) WITHOUT SUG-
GESTING SOLUTIONS. HE WILL PREPARE, BY AUGUST 10,
ANNEX TO HIS NOTE CITING EXAMPLES OF SPECIFIC BILATERAL
AGREEMENTS.

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3. ITEM V: ENERGY CONSERVATION AND DEVELOPMENT.

DOCUMENT DAF/CFA/WP7/77.1, DATED APRIL 25, WILL BE
FINALIZED WITHIN A WEEK AND WILL GO FORWARD TO CFA
MEETING AS NOTE OF BELGIAN DELEGATE, TAKING INTO ACCOUNT
COMMENTS OF EXPERT GROUP (I.E., NOT NECESSARILY
CARRYING ENDORSEMENT OF ALL ASPECTS BY EACH MEMBER OF

GROUP). US DEL PROMISED TO CONVEY ANY COMMENTS ON DOCUMENT OR ADDENDUM (CIRCULATED AS WORKING DOCUMENT, DATED MAY 25) BY JUNE 9. ACTION REQUESTED: PLEASE ADVISE WHETHER USG HAS ANY COMMENTS.

4. ITEM VI: TAX PROBLEMS OF OIL TRANSPORTATION. FRG DEL SOUGHT COMMENTS, PARTICULARLY FROM UK AND US, ON QUESTION RAISED IN HIS PAPER CIRCULATED AT MEETING IN DRAFT FORM (TYPED VERSION TO BE ISSUED SHORTLY) AS TO SUITABILITY FOR TAX PURPOSES OF AVERAGE FREIGHT ROLE ASSESSMENT (AFRA). UK DEL SAID HMG IS SATISFIED WITH AFRA FOR TAX PURPOSES. NORWEGIAN DEL PICKED UP FRG THEME REGARDING NEED TO MAKE ADJUSTMENTS TO AFRA, POINTING FOR EXAMPLE TO COMPLICATIONS CAUSED BY STATE INTERVENTION IN SOME COUNTRIES. US URGED TO PROVIDE ANY AVAILABLE INFORMATION ON EXPERIENCE WITH THIS PROBLEM. SIMILARLY, GROUP WONDERED IF US EXPERIENCE WITH PIPELINE RATES (GAS GRID) MIGHT BE RELEVANT.

5. ITEM VII: TAXATION PROBLEMS REGARDING EXPENSES FOR EXPLORATION. CHAIRMAN OUTLINED PAPER HE INTENDS TO WRITE. HE PLANS TO POINT TO CONTRASTING PHILOSOPHIES OF OPEC ON THE ONE HAND (I.E., TO IGNORE COMPANIES' COSTS IN ASSESSING TAXES ON THEM) AND OECD ON THE OTHER HAND (I.E., TO ADMIT EXPLORATION COSTS AS A DEDUCTION). MAIN QUESTION IS MANNER AND EXTENT TO WHICH OECD COUNTRIES PERMIT EXPLORATION COSTS TO BE SET OFF AGAINST PROFITS FROM PRODUCTION AND SCOPE FOR PERMITTED ATTRIBUTION OF PRO-
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FITS TO "PERMANENT ESTABLISHMENTS" CARRYING OUT EXPLORATION.

6. OTHER BUSINESS. NEXT MEETING OF WG SCHEDULED FOR OCTOBER 17-18. IT WAS NOTED THAT CFA WILL BE HAVING PRELIMINARY EXCHANGE OF VIEWS ON TAXATION ISSUES IN LAW OF THE SEA CONFERENCE.
KATZ

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Message Attributes

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Sent Date: 07-Jun-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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